

Message Text

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C O N F I D E N T I A L PANAMA 5624

LIMDIS

EO 11652: GDS
TAGS: ECON, EGEN, PN
SUBJECT: BUSINESSMAN'S VIEWS ON CONTINUED ECONOMIC SLUMP AND
ON CORRUPTION IN GOVERNMENT

SUMMARY: LOCAL BUSINESSMAN SEES CONTINUED ECONOMIC STAGNATION,
DELAYS IN GOP PAYMENTS FOR LOCAL GOODS, AND GROWING CORRUPTION IN
PANAMANIAN GOVERNMENT; BUT ANTICIPATES A BOOST TO THE ECONOMY
IF AND WHEN A NEW TREATY IS SIGNED.

1. THE SOURCE OF THE FOLLOWING INFORMATION IS A LOCAL
BUSINESSMAN WHO MANAGES A FAMILY CONCERN WHICH HAS BEEN ESTAB-
LISHED IN PANAMA CITY FOR A NUMBER OF YEARS. HIS VIEWS ARE
MORE OR LESS TYPICAL OF THE VIEWS PROBABLY HELD BY MANY OTHER
BUSINESSMEN, ALTHOUGH MORE BOLDLY AND FORTHRIGHTLY STATED
THAN IS COMMON.

2. SOURCE REPORTED THAT HIS SALES TO THE PRIVATE SECTOR, PARTICU-
LARLY SALES OF NON-ESSENTIALS, ARE STILL WAY DOWN. SALES TO
GOVERNMENT ENTITIES, HOWEVER, CONTINUE TO HOLD GOOD, ALTHOUGH
THE PROBLEM OF COLLECTING PAYMENTS IS BECOMING INCREAS-
INGLY DIFFICULT. THE DELAY IN COLLECTION ON GOVERNMENT
RECEIVABLES HAS BEEN GETTING STEADILY WORSE OVER THE
LAST TWO YEARS OR SO; SOME MINISTRIES THAT USED TO PAY
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REGULARLY IN 30 DAYS NOW PAY THREE TO FOUR MONTHS LATE.

3. THE PROCEDURE FOLLOWED IS THAT THE GOVERNMENT ISSUES
RECEIPTS--GOVERNMENT PAYABLES--UPON DELIVERY OF GOODS;
THESE PAYABLES ARE NEGOTIABLE AND ARE TRADED IN THE MARKET
AT A DISCOUNT OF ABOUT 20 PERCENT. THE CHASE BANK, FOR
EXAMPLE, IS ONE BANK WHICH HANDLES THIS PAPER. HOWEVER,

LATELY SOME MINISTRIES HAVE BEEN ISSUING PAYABLES THAT SPECIFY THAT THEY ARE NOT NEGOTIABLE AND MAY NOT BE TRADED. THE REASON IS THAT IF PAYABLES WERE SOLD TO BANKS, BANKS MIGHT REQUIRE PAYABLES TO BE PAID WHEN DUE; WHEREAS WITH NON-NEGOTIABLE PAYABLES THE MINISTRIES CAN TRANSGRESS THE DUE DATE WITH RELATIVE EASE. SOME COLLECTIONS ARE SIX MONTHS BEHIND AND THE SITUATION IS GETTING WORSE. MINISTRIES, WHEN APPROACHED FOR PAYMENT, SOMETIMES MERELY SAY THEY "HAVE NO MONEY".

4. SOURCE THEN DISCUSSED CORRUPTION IN THE PANAMANIAN GOVERNMENT WHICH HE CHARACTERIZED AS "UNBELIEVABLE AND NOT JUST AT THE TOP". CORRUPTION IS BECOMING MORE PREVALENT AT MIDDLE-MANAGEMENT LEVEL WHERE PEOPLE ARE REALIZING WHAT HAS BEEN GOING ON ABOVE AND WANT TO GET IN ON THE ACTION. CORRUPTION EXTENDS TO THE EMPLOYEE WHO STAMPS THE DOCUMENTS.

5. EXAMPLES OF COMMON CORRUPT PRACTICES INCLUDE INFLATED STATEMENTS OF COMMISSIONS PAID TO SUPPLIERS, AND ARRANGEMENTS BETWEEN IMPORTERS AND CUSTOMS OFFICIALS TO ADJUST IMPORT TARIFF CLASSIFICATIONS TO A MORE FAVORABLE CATEGORY IN RETURN FOR A QUIET SHARING OF THE CONSEQUENT TARIFF SAVINGS.

6. ANOTHER EXAMPLE OF CORRUPT PRACTICES IS THE GRANTING OF GOVERNMENT CONTRACTS TO SOMEONE OTHER THAN THE LOWEST BIDDER WITH, OF COURSE, AN APPROPRIATE PAY-OFF. SOURCE FOUGHT ONE SUCH CASE FOR TWO YEARS AFTER A CONTRACT WAS UNJUSTLY AWARDED TO A COMPETITOR, AND FINALLY WON THE CONTRACT; HOWEVER, THERE WAS NO PUNITIVE ACTION TAKEN AGAINST THE GUILTY PARTIES ALTHOUGH THE WHOLE SCHEME HAD BEEN EXPOSED AND DOCUMENTED.

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7. SOURCE BELIEVES THAT GENERAL TORRIJOS AND HIS ADVISERS COULD NOT NOW CLEAN UP CORRUPT BUSINESS PRACTICES EVEN IF THEY WANTED TO--WITH THEIR OWN POPULAR REPUTATION FOR CORRUPTION, ANY SUCH EFFORTS WOULD BE LAUGHED AT. COLONELS MAKING \$1200 PER MONTH SALARIES AND LIVING IN \$125,000 HOMES CAN HARDLY THROW STONES. (COMMENT: HOWEVER, IT MAY WELL BE THAT THE EXTENT OF GRAFT AND CORRUPTION IN PANAMA IS NO GREATER THAN THAT IN MANY OTHER LATIN AMERICAN COUNTRIES.)

8. SOURCE FELT THAT IF A NEW TREATY WAS REAFFIRMED, IT WOULD DEFINITELY BE A STIMULUS TO THE ECONOMY-- FOR INSTANCE, TO THE KEY CONSTRUCTION INDUSTRY-- BY CLEARING THE PRESENT ATMOSPHERE OF UNCERTAINTY AND INSPIRING GREATER INVESTOR CONFIDENCE.

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